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Law Offices of
Bennet & Bennet, PLLC
1019 Nineteenth Street, NW, Suite 500
Washington, DC 20036

Tel: (202) 530-9800
Fax: (202) 530-9805

e-mail: *mail@bennetlaw.com*
http://www.bennetlaw.com

Caressa D. Bennet
Michael R. Bennet
Anne E. Linton

Of Counsel:
Dorothy E. Cukier
Frederick J. Day
Gregory W. Whiteaker

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Federal Communications Commission
Office of Secretary

April 16, 1997

BY HAND DELIVERY

William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, DC 20554

Re: Ex Parte Presentation: CC Docket No. 96-45, Universal Service
CC Docket No. 92-297, Local Multipoint Distribution Service
CC Docket No. 96-148, Geographic Partitioning

Dear Mr. Caton:

In accordance with Section 1.1206 of the Commission's Rules, I am writing to notify you that John Smith and LuAnn Pearson of Leaco Rural Telephone Cooperative, Inc. ("Leaco") and Delbert Wilson, Charlie Head, Ray McMurray and P.D. Hendrix of Central Texas Telephone Cooperative, Inc. ("CTT"), and Caressa D. Bennet and Anne Linton on behalf of the aforementioned rural telephone companies, met Tuesday, April 15, 1997 with Tom Boasberg Legal Advisor to Chairman Reed Hundt of the FCC to discuss universal service support and issues relating to rural telephone companies' continuing ability to provide new and innovative services to their customers.

Both rural telephone companies expressed concern that the recommendations of the Joint Board on Universal Service ("Joint Board"), if adopted, would necessitate a drastic rise in the cost of basic telephone service. CTT provided the Commission with a breakdown of the anticipated rise in rates, a copy of which is attached. Leaco and CTT also discussed the economics and efficiency concerns in getting service out to rural areas.

Both rural telephone companies expressed the continuing need to acquire spectrum to enable rural telephone companies to provide new and innovative services to rural America. They noted that faced with the prospect of decreased universal service support, rural telephone companies have a greater need for wireless spectrum than ever before, because wireless services are ideally suited for providing service to low density rural areas.

Leaco and CTT described their experiences in the spectrum auction process and reported that winning bidders, notably, wireless cable licensees and personal communications services ("PCS"), licensees were unwilling to geographically partition their licenses to rural telephone companies. Leaco explained that licensees do not want to carve-up their license areas because they intend to sell their system in the near future, and partitioning may devalue the ultimate sales price. Leaco and CTT also noted that liberal construction requirements based on population create no incentive for a licensee to either provide service to a rural area or to geographically partition rural areas.

Should you require any additional information, please feel free to contact this office.

Sincerely,

Anne E. Linton /cb

Anne E. Linton

cc: Tom Boasberg

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Central Texas Telephone Cooperative

(Updated for Acquisition of GTE Exchanges)

CALCULATION OF ANNUAL RECONSTITUTED USF LOSS UNDER JOINT BOARD PROPOSED RULES

1.	Current USF (1995 Cost for 1997)	$1,915,480
2.	Current DEM Weighting (1995 Costs)[1]	$519,729 [2]
3.	Long Term Support (1995 Costs)[1]	$526,415 [3]
4.	**Total Cost Recovery Subject to Reconstituted USF - *Current Payment Level* (Line 1 + Line 2 + Line 3)**	**$2,961,624** [4]
5.	Access Lines (December 1995)	6,288
6.	Frozen Reimbursement Per Access Line, Per Month (Line 4 / Line 5 / 12 months)	$39.25
7.	Multiline Business Lines (December 1995)	701
8.	Subtotal Eligible Access Lines (Line 5 minus Line 7)	5,587
9.	**Subtotal Reconstituted USF (Line 6 x Line 8 x 12 months)**	**$2,631,456**
10.	**Subtotal Loss (Line 9 minus Line 4)**	**($330,168)**
11.	**Subtotal Loss of Support Per Line, Per Month (Line 10 / Line 5 / 12 months)**	**($4.38)**
12.	Residential 2nd Lines and 2nd Home Lines	243
13.	Total Eligible Lines (Line 8 minus Line 12)	5,344
14.	Revised Reconstituted USF (Line 6 x Line 13 x 12 months)	$2,517,004
15.	**Total Annual Loss (Line 14 minus Line 4)**	**($444,620)**
16.	**Effective Loss of Support Per Line, Per Month (Line 15 / Line 5 / 12 months)**	**($5.89)**

[1] We have relied on 1995 costs because of their availability. The DEM Weighting and the Long Term Support will be frozen based on 1996 costs.

[2] This represents the difference between the weighted and unweighted Interstate local switching revenue requirement. If a DEM weighting access line threshold was crossed in 1996, this amount could be significantly less.

[3] The long term support equals the Interstate Common Line revenue requirement multiplied by a factor representing the relationship of long term support to total Common Line revenue requirement in the NECA pool. The factor is based on a January 15, 1997 calculated relationship and is equal to 41.11%.

[4] This is based on frozen historical information, as contemplated by the Joint Board's recommended decision. This, therefore, does not consider losses that will result from asset additions made in subsequent years.